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EU HQB Quota Reaches Quota Fill Ceiling as Argentina Secures Access

Report Categories:

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Report Highlights:

For the first time since the High Quality Beef (HQB) quota was increased to 48,200 tons in 2012, the European Union's (EU) quota for non-hormone treated beef could be filled during the first quarter quota tier ending on September 30, 2014. In addition, Argentina's recent approval to gain access to the HQB quota is likely to exacerbate the situation and may result in a further erosion of the U.S. share of the HQB quota in the future.

EU's HQB Quota Reaches Quota Fill Ceiling at End of First Tier of 2014/15 Quota Year

The EU's High Quality Beef (HQB) quota could be filled during the first quarter quota tier ending on September 30, 2014. This would be the first time that the quota would be fully utilized since the quota was increased to 48,200 tons in 2012 and the quota management system was changed to first-come first-serve (FCFS). The EU established the HQB quota as a result of a 2009 Memorandum of Understanding (MOU) resolving the U.S.-EU beef hormone dispute. Under the HQB quota, U.S. producers of high-quality non-hormone treated beef produced gained access to the EU market at zero duty. Originally set at 20,000 MT, the quota was increased to 48,200 MT in 2012 under Step 2 of the MOU agreement. Since 2009, in addition to the United States, Australia, Canada, New Zealand and Uruguay have also become eligible to ship under the HQB quota. The market share of U.S. beef in the HQB quota has since decreased and currently represents less than 50 percent of the quota, as competitor exports increased faster than U.S. shipments.

Argentina Secures Access to HQB quota

On September 26, 2014, Argentina qualified for access to the quota upon the publication of the authorizing [Communication 2011/C 244/01](#) in the EU's Official Journal. However, it is unclear when Argentina will be able to start exporting to the EU, as Argentine beef exports have decreased because of domestic supply issues and export restrictions since 2012. Additionally, Argentina may be unable to immediately meet the quality requirements of the HQB quota. Under the HQB quota, which is for grain-fed beef only, eligible cattle must be fed for at least a hundred days on a strictly defined high energy grain diet. Argentina is currently shipping only grass-fed beef into the EU. However, their ability to ship into the HQB quota could easily result in a further erosion of the U.S. share of the HQB quota in the future.

| EU28 Beef Import Statistics | | | | | | | | | | | | |
|---------------------------------------|------|--------------------|------|------|------|------|------|------|------|------|------|------|
| Year Ending Series: June, 2004 - 2014 | | | | | | | | | | | | |
| Partner Country | Unit | Thousands Quantity | | | | | | | | | | |
| | | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| World | T | 275 | 351 | 352 | 369 | 253 | 205 | 217 | 193 | 179 | 189 | 197 |
| Argentina | T | 68 | 75 | 63 | 58 | 57 | 71 | 63 | 46 | 39 | 34 | 32 |
| Uruguay | T | 17 | 16 | 24 | 26 | 38 | 56 | 54 | 44 | 38 | 41 | 36 |
| Brazil | T | 162 | 228 | 238 | 251 | 122 | 27 | 43 | 43 | 49 | 60 | 66 |
| United States | T | 0 | 0 | 0 | 1 | 3 | 6 | 9 | 14 | 16 | 17 | 18 |
| Australia | T | 7 | 7 | 7 | 7 | 8 | 10 | 10 | 11 | 13 | 17 | 22 |
| New Zealand | T | 2 | 2 | 2 | 3 | 5 | 11 | 10 | 11 | 11 | 10 | 9 |
| Botswana | T | 8 | 10 | 5 | 9 | 9 | 7 | 11 | 8 | 0 | 1 | 5 |

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| Namibi a | T | 8 | 10 | 8 | 9 | 5 | 11 | 10 | 8 | 8 | 7 | 7 |

Source: Global Trade Atlas